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76-2711

28 MAY 1976

MEMORANDUM FOR: Deputy Director for Administration

FROM : James H. McDonald  
Director of Logistics

SUBJECT : Analysis of CIA Competitive Procurement Actions -  
FY 1975, MBO OL-D-01-76

1. This memorandum discusses the reason for performing MBO OL-D-01-76, some of the methodology used, and the principal results of the study. Significant conclusions and recommendations are included in paragraph 6 of this memorandum. Additional conclusions and recommendations are included in Tab D of the attached report.

2. Calendar 1975 was a year of turmoil for the Central Intelligence Agency (CIA), a year in which a critical press focused worldwide attention on our Agency to a degree unprecedented in its history. This high level of visibility resulting from a largely negative press, coupled with the investigations by the Rockefeller Commission, the Senate Select Committee, and the House Select Committee, prompted concern on the part of then Director Colby over the possibility of CIA contractors turning away from the Agency.

3. The Procurement Management Staff within the Office of Logistics had, in August of 1974, proposed a limited review of Agency competitive procurements and the reasons for what appeared to be a high frequency of contractors declining to provide proposals in response to Agency requests for proposals. Because of the concern by the Director, it was determined that the primary objective of the study would be to ascertain whether negative press and high visibility had, in fact, had any negative impact on Agency contractors. The study began with an internal collection of data on all competitive procurement actions initiated by the Agency during fiscal 1975. The primary objective of the internal data collection was to ascertain the number of no-bids submitted by contractors in FY 1975, the names of contractors submitting such responses, and the reasons for the no-bids. Reasons given by contractors for their decision not to provide a proposal were universally sterile with statements such as: "Management decision" or "insufficient capability." As evidenced by Tab E, various

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data were collected which might impact on the contractor's reason for deciding not to furnish a bid in response to an Agency request for proposal.

4. The internal data collection yielded much interesting data which is included in other sections of this report. It became the basis for identification of contractors to be interviewed and provided a basis for several of the conclusions and recommendations resulting from the study. Some of its value was lost in the sense that no comparable study was discovered which could be used in comparative analysis. Results of the study will be useful as a basis for comparison with data collected from future such studies within the Agency.

5. The selection of contractors to visit and interview is discussed in Tab G, but was made primarily from those longtime Agency suppliers with large dollar volume who also were among those contractors having submitted the most no-bids. Five of the top six contractors in terms of no-bids were included in the interviews. Contractors visited and officials interviewed are shown on Tab L. Certain of the questions tendered to corporate officials and the responses received are considered more directly applicable to the primary objective of the study than other questions and responses. This data is listed on Tab M. Questions and responses considered less directly applicable to the primary study objective are listed at Tab N.

6. While all conclusions and recommendations are included in Tab D, it can be said in summary that the results of the interviews with our contractors were universally positive. All contractors voiced the opinion that the Agency had been the victim of much unwarranted criticism. There was across-the-board support for Agency objectives and complete willingness to work with and support the Agency as required on future programs. Primary conclusions of the study include the following:

a. Adverse publicity has not impacted on Agency contractors. Contractors interviewed uniformly expressed their willingness to work with the Agency on future programs.

b. No allegation or evidence of either malfeasance or misfeasance by Agency employees was uncovered by this study.

c. Contractors with substantial international sales and/or off-shore facilities are sensitive to disclosure of extensive involvement with CIA.

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d. The decentralized contract management system, less formal and bureaucratic in its reporting and other procedures, is preferred by our contractors to the systems operated by other agencies.

e. Agency personnel involved in the contract management process, both technical and contractual, are considered professional and businesslike by their industrial counterparts.

7. The results of this study have provided us with the feeling that we have some excellent contractors who will continue to provide strong support. It was also reassuring to hear from our contractors that our system is working and that both our system and our personnel compare favorably with those of other customers. Problems raised by contractors or apparent from data analysis will be referred to the appropriate unit within the Agency for corrective action.

/s/ James H. McDonald

James H. McDonald

Atts

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REPORT OF ANALYSIS OF AGENCY COMPETITIVE PROCUREMENTS

FY 1975

THIS IS THE ONE-TIME REPORT REQUIRED UNDER THE ABOVE OBJECTIVE PERFORMED BY THE PROCUREMENT MANAGEMENT STAFF OF THE OFFICE OF LOGISTICS AS A PART OF THE AGENCY MANAGEMENT-BY-OBJECTIVE PROGRAM.

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ASSUMPTIONS

1. This report covers only those competitive actions by the procurement teams in which a formal Request for Proposal was issued to two or more contractors. It does not cover low dollar (under \$10,000) competitive commercial buys, acquisitions from Federal Supply Schedules, MIL/STRIP, or FED/STRIP buys, all of which are included in computations of the Agency's competitive procurement activity.

2. The term no-bid is standard terminology in the field of Government contracting which describes a contractor's decision not to provide a proposal in response to a request from the Government for proposals (RFP).

3. The scope of the study was restricted to those competitive actions involving procurements funded with Agency dollars.

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OL-D-01-76

## OBJECTIVES AND ACTION PLAN MILESTONES

**OBJECTIVE:** Complete and report on an analysis of competitive procurement actions being undertaken by the Agency to determine the causes of the large number of no-bids. Possible causes to be analyzed are: Poorly formulated requests for proposal, improper bidder lists, deliberate attempts by technical or contracting officers to influence competitions, unsatisfactory contractor experience with the Agency, or contractor reaction to the Agency's negative press.

**MILESTONES:** Identify limits and possible subdivision of study, i.e., types of contracts, Agency components involved, security classifications.

Determine method of obtaining a nonbiased representative selection of contract proposals for detailed study and a comparable selection of contract proposals to serve as a control group.

Select specific contract proposals in accord with above milestones.

Determine (if possible) from contract proposals alone any significant factors that correlate with no-bid responses (agency component, contractors, classification, etc.)

Prepare and distribute appropriate queries to contracting officers seeking their analysis of specific no-bid situations.

Determine from other selected agencies via informal coordination whether Agency experience is unique to CIA or is common to comparable agencies.

Meet with senior management officials of selected contractors to discuss no-bids and their thoughts on CIA contracting.

Collect data from outside sources.

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Analyze responses and compare with contracting officer responses.

Report results with findings and recommendations for improvement, if any.

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## DISCUSSION OF AGENCY COMPETITIVE PROCUREMENTS FY 1975

1. The Procurement Management Staff within the Office of Logistics, as a part of its normal mission and function, proposed in 1974 a limited study of competitive procurement actions by CIA. The purpose of this proposed study was to examine the competitive process to determine the cause of what appeared to be a high frequency of contractors choosing not to provide proposals in response to Agency Requests for Proposals (RFP). This decision not to provide a proposal is referred to in this report as a no-bid. Some of the possible causes for contractor decisions to no-bid which were to be considered included poorly formulated requests for proposals, improper bidders lists (inclusion of unqualified contractors), deliberate attempts to technical or contracting officers to influence competitions, unsatisfactory prior experience with the Agency, or contractor reaction to the Agency's negative press. Early in 1975, then Director Colby expressed concern that CIA contractors might be turning away from contracting with the Agency because of adverse publicity and high visibility resulting from the investigations by the Rockefeller Commission and the House and Senate committees. This concern on the part of the Director became the primary question of interest on the study. Objectives and action plan milestones are described in Tab B.

2. The initial approach to answering study questions was based on collection of data from each of the Agency procurement elements on competitive procurement actions which included a formal request to two or more contractors for a proposal. This data was collected through use of the questionnaire included as Tab E. The questionnaire attempts to include all information associated with a normal RFP which could possibly be a basis for a contractor decision whether to bid or no-bid. Original study plans included communication with contractors in the interest of verifying results of internal data collection, but the primary emphasis was planned around the internal data collection and analysis thereof. Plans were changed during execution of the study when no similar outside study was discovered which could be used for comparative analysis. The search for outside similar studies covered EKDA, NASA and the library of the National Contract Management Association. Lacking external data for comparative analysis, a determination was made to shift the primary study emphasis to external data collection which would involve visits to selected contractors and interviews with key corporate officials. A similar series of visits and interviews had been carried out in 1972 by, then Director of Logistics, John F. Blake and the Chief of his Procurement Management Staff.

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A questionnaire (Tab F) was prepared for use in a series of structured interviews with corporate officials. This questionnaire combined questions used in the 1972 visits with questions which targeted directly on the current issue of impact of negative press and investigations on contractor relations.

3. The selection of contractors to interview was based primarily on the frequency of no-bids by the contractors during the period under evaluation. This selection procedure is described in Tab G. The frequency of no-bids was computed from Tab H which lists all contractors invited to submit competitive proposals during FY 1975 with the number of times these contractors chose to bid or no-bid. The numbers in the no-bid and bid columns identify the procurement team handling the competition. Appearance of the same number more than once in a column opposite a contractor's name indicates that more than one bid or no-bid was received by the same procurement team. A cross reference from procurement team name to procurement team number is included as Tab I. From the long list of contractors involved in competitions a list of contractors which submitted the highest number of no-bids was prepared which is included as Tab J. Criteria considered in the selection of contractors to be interviewed, other than the number of no-bids, included the volume of Agency business with the contractor and the length of time the Agency has been doing business with the contractor. Tab K lists the five contractors visited, all associated with the Agency for more than five years, along with brief statistics on total business with the firm since 1 July 1967, the number of active contracts and the value of active contracts. Tab L lists contractors surveyed and contractor officials interviewed.

4. The responses to questions included in the Tab F questionnaire are included in Tabs M and N. Tab M includes those questions and responses which are considered most applicable to the main study objective while Tab N includes data which is generally applicable. The interviewer has included immediately after each question and answer an analysis and/or comment which is intended to provide additional insight gained during discussion with contractor officials. While significant results in this area are reflected in the recommendations and conclusions area, there may be other data in this area which is of interest to readers of this report.

5. Based on interviews with contractors (see Tabs M and N) it was apparent that the response to the main study question is that those contractors interviewed are strongly supportive of the Agency. The contractors prefer the CIA decentralized procurement system to systems utilized by other Federal Government customers. Agency technical and contracting personnel who interface with contractors are considered professional and businesslike and thought to be a notch or two above personnel from other Federal Government customers. The reasons for choosing to no-bid which were provided

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by contractors in response to requests for proposals were stated only in very generic terms. These reasons were examined in some detail with each of the contractors visited as well as the procedure for deciding whether to bid or no-bid. It was found that in the case of each no-bid the contractor had carefully considered its decision and the decisions were most frequently based on the non-availability of resources to apply to the project outlined in the RFP. No-bid decisions were reviewed at senior levels, usually vice-presidential, prior to responding to the customer.

6. On the question of improper bidders lists or deliberate attempts by technical or contracting personnel to influence competitions, there were no direct allegations of any problem. One contractor official stated that there had been "statements of work" which seemed to be slanted toward a particular contractor. He either could not or would not provide specifics and went on to say that he did not consider the problem serious or recurring. Based on long experience in the procurement field, the writer notes that it is extremely difficult to write a specification which is entirely generic, and biases do creep into specifications whether the specification is written on a design or performance basis. Because of this fact, Senator Chiles has introduced legislation which will require Federal competitive procurement to be based more on performance specifications and less on design specifications. Another contractor mentioned that as the Agency attempts to obtain more competition, it appears to be including on its bidders lists contractors with less capability and sometimes questionable business practices such as buying in at a low price and planning on receiving changes which will allow it to increase its price sufficiently to get well. This contractor stated that if it finds that such contractors are included on a bidders list, it may choose to withdraw from the competition. The contractor did not state that any of its no-bids had resulted for this reason. This phenomenon is viewed as a natural consequence of increasing competition, as the range of contractor capability and contractor ethics must increase as the number of competitors increases. Tab M touches on this subject. Current legislation in the Senate (S2309) recognizes the inefficiencies which result from large bidders lists and points toward optimization of competition as opposed to maximization.

7. The possibility of poorly formulated RFP's was queried primarily through question 6 of Tab M. Responses indicated a need for improvement in this area. Comments generally were negative with contractors expressing the feeling that more uniformity is needed among Agency procurement teams in the preparation of RFP's and that better definition of both technical and contractual requirements is needed. While these problems result in part from differing types of requirements, i.e. R&D in the case of the Office of Research and Development, production from various offices through the Office of Logistics' Procurement Division, etc., this problem has previously been recognized and deserves further attention.

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8. Tabs O through Q include results from the internal data collection which have marginal utility for the purposes of this study because of a lack of similar data for use in performance of comparative analysis. This data is included for the information of line officials within the DD/A, and because it will be useful as a basis for comparison when and if such a study is again performed within the Agency. Tab O indicates that the percentage of no-bids ranged from a low of 6 percent for team 2 to a high of 59 percent for team 6 with an average of 35 percent for all procurement teams. Analysis of data included in the RFP's and requirements levied on contractors does not indicate any difference which would account for the wide range in the frequency ratio of no-bids. The writer can only conclude that selectivity in establishing bidders lists is the key to reducing the percentage of no-bids. Tab D reflects a range of from 3-1/2 to 8-1/2 in the average number of contractors invited to participate in each competition with 5 being the average for the Agency. Little could be drawn from data reported in this area. Tab Q is an attempt to determine whether prior experience on Agency contracts might bias contractor decisions to bid or no-bid. It is interesting to note that 84 percent of the contractors invited to bid had held previous CIA contracts while the figure was 72 percent for contractors choosing to no-bid. No significance is drawn from the 12 percent difference. The seemingly high percentage of contractors invited to bid who had held prior Agency contracts is considered to be a result of security requirements which require cleared facilities and personnel. It is of interest that teams 5 and 6, which had 58 percent and 59 percent respectively as a percentage of no-bids (Tab O), were significantly lower in the percentage of contractors invited to bid who had held prior Agency contracts. This would seem to indicate that contractors with prior Agency contracts are more likely to respond positively to Agency RFP's.

9. Question number 3 of Tab M and associated responses bring out a concern on the part of contractors regarding impact that disclosure of Agency involvement might have on international sales. This is considered an intelligent and real concern on the part of contractors with substantial reliance on off-shore sales or heavy foreign capital investment. This matter has surfaced previously, particularly during investigations by the House Select Committee, and may deserve review by Office of Security personnel to assure that adequate precautions are being taken to protect contractor interest.

10. This study revealed no evidence of any misfeasance or malfeasance by any Agency employee. Also on the positive side there was strong evidence of continuing support by the contractors interviewed. On the negative side there is concern on the part of contractors for disclosure of CIA involvement when the contractor has foreign sales or investments which may be impacted by such disclosure. Improvement in the uniformity of RFP's including more definitive statements on technical and contractual requirements is also needed. Conclusion and recommendations are included in Tab D.

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CONCLUSIONS (C) AND RECOMMENDATIONS (R)

PRIMARY

- C Adverse publicity has not impacted negatively on Agency contractors. Contractors interviewed uniformly expressed their willingness to work with the Agency on future programs.
- R None
- C No allegation or evidence of either malfeasance or misfeasance by Agency employees was surfaced by this study.
- R None
- C Contractors with substantial international sales and/or off-shore facilities are sensitive to disclosure of any extensive involvement with CIA. Concern is that foreign buyers will turn away from the firm's products and that facilities and/or employees could be endangered.
- R The Security Staff within the Office of Logistics, which is responsible for security aspects of industrial contracting, should review contracting procedures to make sure that handling of contracts recognizes the sensitivity and concern of Agency contractors in this area.
- C The decentralized contract management system of CIA, with less formality and bureaucracy in its reporting and other procedures, is preferred by our contractors to the systems operated by other agencies.
- R Continue the decentralized procurement system as it is currently operating.
- C Agency personnel involved in contract management, both technical and contractual, are considered professional and businesslike by corporate officials and to exceed their peers in other government agencies in performance.
- R None

SECONDARY

- C More standardization between contract teams in the preparation of and issuance of requests for proposals is desirable.

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REQUIREMENTS OFFICE: \_\_\_\_\_ DIVISION: \_\_\_\_\_

RFP/RFQ NO: \_\_\_\_\_ CONTRACT NO: \_\_\_\_\_ AMOUNT: \$ \_\_\_\_\_

WINNING CONTRACTOR: \_\_\_\_\_

SHORT DESCRIPTION OF PRODUCT/SERVICE: \_\_\_\_\_

TYPE OF PRODUCT/SERVICE, CHECK ONE:

R&amp;D \_\_\_\_\_ PRODUCTION \_\_\_\_\_ SERVICES \_\_\_\_\_

TYPE OF FUNDING, CHECK ONE:

AGENCY \_\_\_\_\_ OTHER FED. AGENCY \_\_\_\_\_ FOREIGN GOVT. \_\_\_\_\_ OTHER \_\_\_\_\_

CLASSIFICATION, CHECK APPLICABLE SPACES:

	UNCLASSIFIED	CONFIDENTIAL	SECRET	TS	CODE WORD
RFP/RFQ	_____	_____	_____	_____	_____
WORK	_____	_____	_____	_____	_____
REPORTS	_____	_____	_____	_____	_____
END ITEM	_____	_____	_____	_____	_____
ASSOCIATION	_____	_____	_____	_____	_____

INDICATION IN RFP/RFQ AS TO TYPE OF CONTRACT DESIRED:

NONE \_\_\_\_\_ CPFF \_\_\_\_\_ CPAF \_\_\_\_\_ CPIF \_\_\_\_\_ FP \_\_\_\_\_ FPR \_\_\_\_\_ T&amp;M \_\_\_\_\_

OTHER (Specify type): \_\_\_\_\_

TIME SPECIFIED IN RFP/RFQ FOR RESPONDING:

0 - 30 DAYS \_\_\_\_\_ 30 - 60 DAYS \_\_\_\_\_ 60 - 90 DAYS \_\_\_\_\_ MORE THAN 90 DAYS \_\_\_\_\_

INDICATION IN RFP/RFQ OF FUNDING AVAILABLE FOR THE PROCUREMENT:

YES \_\_\_\_\_ NO \_\_\_\_\_

INDICATION IN RFP/RFQ OF ESTIMATE OF MAN YEARS REQUIRED:

YES \_\_\_\_\_ NO \_\_\_\_\_

DID THE RFP/RFQ INCLUDE A HARDWARE EXCLUSION CLAUSE?

YES \_\_\_\_\_ NO \_\_\_\_\_

DID THE CONTRACTOR (TO THE BEST OF YOUR KNOWLEDGE) HAVE ADVANCE KNOWLEDGE FROM FROM ANY SOURCE THAT THE RFQ WOULD BE ISSUED PRIOR TO ACTUAL ISSUANCE?

YES \_\_\_\_\_ NO \_\_\_\_\_

WAS THERE DIRECT INDICATION IN THE RFQ THAT THE CONTRACT TO BE LET WAS THE FIRST PHASE OF A LARGER PROGRAM?

YES \_\_\_\_\_ NO \_\_\_\_\_

WERE CONTRACTORS INVITED IN THE RFQ TO REQUEST ANY NECESSARY CLARIFICATION?

YES \_\_\_\_\_ NO \_\_\_\_\_

OTHER INFORMATION NOT INCLUDED ABOVE WHICH YOU FEEL MAY HAVE IMPACTED RESPONSES:

## BIDDERS MAILING LIST

	CONTRACTORS RECOMMENDED BY REQUIREMENT COMPONENT FOR SOLICITATION OF BIDS	ADDED BY CO (b)	DELETED BY CO (c)	NO PREVIOUS CIA CONTRACT (d)	PREVIOUS CIA CONTRACT (e)	CONTRACTOR BID PRICE OR STATED REASON FOR NOT BIDDING	
	(a)						(f)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							

It is assumed that the requirements component will recommend a list of bidders to the C.O. All of these should be listed in column (a). C.O.'s should indicate which contractors were either added or deleted by them by including the contractor's name in column (a) and checking either column (b) or (c) to indicate their action. Column (d) and (e) should be reviewed and a check included in one or the other to indicate whether the contractor has had any previous Agency contract.

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- R This item should be assigned to the Procurement Management Staff within the Office of Logistics for further study and action to standardize RFP formats.

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CONTRACTOR EVALUATION  
OF  
PROCUREMENT PRACTICES  
FEBRUARY 1976

Contractor Response/  
Interviewer Comment

I. Agency Technical Management

1. Relationships with the Company

How often do senior company technical and technical management personnel visit the Agency?

How often do Agency senior technical and technical management personnel visit the company?

Do Agency project personnel provide adequate technical planning requirements to company technical personnel?

Are there instances where technical personnel of the Agency place requirements on company personnel (technical or contractual) which by-pass or weaken company controls in the area of technical, financial, or contractual management?

Are technical personnel of the Agency engaging in contractual functions?

Are Agency technical requirements keeping pace with advances in the industry (i.e., electronics, aviation, lasers, etc.)?

Are working level understandings superseding company requirements for good business practices (e.g., technical trade-offs by-passing change orders, accounting practices, etc.)?

Is the definition of specifications and technical requirements adequate on Agency solicitation for proposals?

How would you characterize Agency technical control of projects with your company? Informal? Tight? Loose? Bureaucratic and burdensome? Lacking direction? Undisciplined?

Would you characterize Agency technical trends as ahead of the rest of the Government? About on the same level as the DOD? Lagging behind the rest of the Government?

II. Contract Management

1. Pre-contractual Relationships

Is your company generally aware of the extent of competition involved in solicitations by Agency technical personnel?

How would you describe the solicitation procedures used by the Agency in its relationships with your company?

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Is your company generally aware of the budgetary amount of money available when technical discussions are initiated?

Are you aware of Agency projects other than the ones you are or have been working on? For example, do you know that some of your competitors are doing work for the Agency in the same or similar field of technology?

How did your company initiate business with the Agency? Personal contact? RFP?

How do you initiate new projects or follow-on efforts with the Agency?

Do you understand the decentralized contracting teams system which is utilized by the Agency?

Do you have coordination or communication problems due to the security requirements and team method of conducting business?

Do you have any problems in obtaining a technical audience for promising ideas and technology which you like to make available to the Agency?

Is your company generally aware when a technical requirement is being handled on a sole source basis?

How many formal Requests for Proposals have you received from the Agency?

## 2. Contractual Relationships

Several contractors have commented on the dominance of Agency technical personnel over contractual personnel in the Agency's overall procurement process. Could you comment on your company's experience or impressions in this regard?

As a business organization operating in the profit incentive and achievement environment, do you consider the financial and contractual reporting requirements adequate? Too bureaucratic? A waste of taxpayers' money? Inadequate?

From your experience in contracting with other Government agencies, what do you consider to be the major differences in contracting with the Agency as opposed to other agencies?

Are settlements of contracts a problem with the Agency?

Are property and patent procedures employed by the Agency creating any problems administratively within your company?

Generally speaking, how does your company's cost growth record on Agency contracts compare with other Government agencies? Why?

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Contractor Response/  
Interviewer Comment

Are contractual problems handled within a reasonable time frame by contractual personnel of the Agency?

### III. Agency Audit

Are Agency audit procedures and audit requirements creating any problems which require attention?

Are Agency audits as frequent as DOD audits?

How do you compare Agency cost analysis/price analysis with DCAA? Favorable? Unfavorable? Why?

How would you describe Agency audit procedures? Antiquated? Modern? Analytic? Pointed? Business-like? Perfunctory?

### IV. Security

Are Agency security requirements difficult to understand?

Have various investigations and negative press affected your company's posture on contracting with the Agency?

Do you consider the Agency's security requirements effective in maintaining the appropriate secrecy/ within your company? With other Government agencies and Government personnel such as auditors, security, and contracting personnel?

Are security matters handled within a reasonable time frame, say for example clearances of employees?

Are there aspects of our security procedure which tip off receptionists or others as to who we are, i.e., Signing in as representing self? No DOD clearance?

Contacting certain people?

The complaint has been made by one or more of our contractors that our people stumble over each other in the halls of the contractor's plant. Do you feel that this is a problem and that more coordination is necessary to avoid conflicting visits by personnel from different parts of our organization?

### V. Overall Relationship Between Agency and Company

Percentage of Government business to overall business?

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Contractor Response/  
Interviewer Comment

Percentage of Agency business to the rest of the Government?

Major problems in the contractual relationship?

Overall is the Agency keeping its pulse on industry, its growth, technological changes, etc.?

Is Agency contractual management attuned to the requirement for a fair and reasonable relationship with business?

Is the profit percentage on Agency contracts comparable with profits on other Government business? More? Less? Fair?

What is the turn-around time on invoices? How does this compare with other Government customers?

What is your overall impression of Agency contracting procedures?

Have there been incidents of personnel expressing reluctance to work on our projects?

Would your company have any objection to public disclosure of its business relationship with the Agency?

Does your company prefer to contract with one component of our Agency as opposed to some other?

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SELECTION OF CONTRACTORS FOR INTERVIEW

The selection of contractors to interview was based primarily on the frequency of no-bids by the contractor during the period under evaluation, i.e., FY 1975. Elsewhere in this report an exhibit (Tab J) entitled TOP TEN CONTRACTORS BY NUMBER OF NO-BIDS - FY 1975 lists the contractors considered. The exhibit entitled CONTRACTORS SURVEYED AND CONTRACTOR PERSONNEL INTERVIEWED (Tab L) identifies the contractors visited as well as the names and titles of officials interviewed. Five of the top six contractors in frequency of no-bids were interviewed.

Other criteria considered in the selection of contractors were the volume of Agency business with the contractor and the length of time the Agency has been doing business with the contractor. Our interest and concern was directed toward assessing the reaction of our contractors to negative press and high visibility beginning in late 1974 and continuing through 1975. We were less concerned with contractors who have, for whatever reason, avoided doing business with CIA.

All questions and discussions were directed toward contractual relationships funded with Agency-appropriated funds.

Two of the contractors, [REDACTED], have been included in a similar interview series during 1972.

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CIA

PROCUREMENT TEAM IDENTIFICATION CODE

<u>Number</u>	<u>Team Name</u>
1	Office of Development & Engineering Contract Section
2	*Office of Development & Engineering Advanced Systems
3	Office of Research and Development Contract Section
4	Office of Logistics Procurement Division Production & Service Contracts Branch
5	Office of Logistics Procurement Division Automatic Data Processing & Engineering Branch
6	Office of ELINT Service Contracts & Procurement Section
7	Office of Logistics Procurement Division General Procurement Branch
8	Office of Technical Services Contract Management Branch

\*This team input some data to the study but is a National team rather than an Agency team.

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RESULTS OF EXTERNAL DATA COLLECTION DIRECTLY APPLICABLE  
TO  
STUDY OBJECTIVE

1. Q. Have various investigations and negative press affected your company's posture on contracting with the Agency?

A. No, probably because of our thorough understanding of what the real issues are in the business, we are very little affected.

No.

No, there has been no apparent compromise. If a problem occurs, the severity of the problem would have to be evaluated with regard to overall importance of continuing business in this area.

Definitely not!

Analysis/Comment: Comments from contractors as well as above responses to the question were entirely favorable and, in the opinion of the interviewer, strongly supportive.

2. Q. Have there been any incidents of personnel expressing reluctance to work on our projects?

A. None.

One.

No, quite the contrary.

Analysis/Comment: In response to this question, one contractor reported that his employees preferred Agency contracts to those of other customers because they are usually more interesting and challenging. One of the contractors did mention a case of one of his researchers expressing a preference not to work on Agency projects. The event had occurred sometime in the past and was not, in the opinion of the corporate official, a result of adverse press or various investigations.

3. Q. Would your company have any objection to public disclosure of its business relationship with the Agency?

A. No, providing national security is protected.

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No problem.

In fact, we have contracts which do not classify the relationship, and some limited disclosure has been made. However, we do not advertise our relationship.

Yes.

Analysis/Comment: Contractors were supportive in their responses to this question; however, there was considerable concern as evidenced by two contractors who responded with a "Yes." Contractor concern was for international business prospects if an extensive involvement with CIA became public.

4. Q. Is the profit percentage on Agency contracts comparable with profits on other Government business? More? Less? Fair?

A. On the average, the profit return is comparable with other agencies.

Less.

Comparable and fair.

Analysis/Comment: The contractor who indicated that his profits on Agency business were lower than on other Government business stated that the lower profit results from the less formal working relationship between his technical personnel and Agency technical personnel than with other customers. He stated that Agency technical personnel ask for and receive services in excess of contract requirements which increase cost and decrease the profit margin.

5. Q. Is Agency contractual management attuned to the requirement for a fair and reasonable relationship with business?

A. The Agency through its system of decentralization, maximum delegation of authority, and informal approach of doing business whenever possible provides the best atmosphere for imbuing managers with a fair and reasonable approach to doing business. With only very few minor exceptions, this is accomplished.

Negative on production - okay of R&D.

Yes.

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Analysis/Comments: Responses were favorable except that one contractor complained about the policy on awarding production contracts. Further discussion revealed that he felt we are inviting bidders to submit proposals who may not be qualified in the field or who have established a reputation for practices such as buying -in.

6. Q. How would you describe the solicitation procedures used by the Agency in its relationships with your company?
- A. In general, they are adequate. There seems to be a lack of uniformity on an Agency-wide basis as to the format and information requested by the various solicitations.

Adequate.

Fair to our company and in the best interest of the U. S. Government.

Formal solicitations lack the look of a professional work product. Better definition of both technical and contractual requirements is needed.

Analysis/Comment: The problem surfaced by responses to this question, while not germane to the study objective, have been a subject of concern for the Agency Procurement Policy Panel and have been previously discussed by that group. They result in part from the fact that we have decentralized teams in various directorates and offices which are buying different types of products and/or services. This problem needs further study which will probably result in development of a standard Request for Proposal format for use by all procurement teams.

7. Q. Is the definition of specifications and technical requirements adequate on Agency solicitations for proposals?
- A. Yes.

Generally the technical requirements set forth in solicitations are sufficient to allow us to understand the problem and to prepare a response.

Analysis/Comment: The responses to this question were of particular interest both because of the objective of the study and because of recent contract performance and cost problems which have resulted, at least in part, from

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defective specifications. While there was no evidence that contractors are reluctant to contract with us because of lack of definition in specifications, this is an area which may require further study.

8. Q. Is your company generally aware of the extent of competition involved in solicitations by Agency technical personnel?

No.

Yes.

Generally aware of the extent of competition involved.

Analysis/Comment: This information becomes obvious when bidders' conferences are held and contractors are all present in one room and probably all signing in on one registration sheet. It also would be made available to the contractor if he asked for it except, in certain cases, the names of competing contractors might be sensitive.

9. Q. Is your company generally aware of the budgetary amount of money available when technical discussions are initiated?

- A. Yes, on sole source, as they usually result from our proposal. No, on others, except to the extent that a period of performance for technical effort may be given.

No.

In those cases where a "level-of-effort" type of contract is desired, such as, study and analysis programs, the amount of money is known in general terms. However, where hardware or completion type contracts are involved or whenever competition exists on any form of procurement, budget information is generally not available.

Analysis/Comment: Disclosure of budgetary information is necessary on level-of-effort types of contracts but can cause a contractor to submit an unrealistic low bid on a completion type of contract, which results in an overrun.

10. Q. Are you aware of Agency projects other than the ones you have been working on? For example, do you know that some of your competitors are doing work for the Agency in the same or similar fields of technology?

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- A. We are generally aware of work other contractors are doing on all competitive procurements or whenever other contractors need to coordinate or interface their hardware, software, or other analysis activities with our program.

Yes.

No.

Analysis/Comment: None

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RESULTS OF EXTERNAL DATA COLLECTION GENERALLY APPLICABLE  
TO  
STUDY OBJECTIVE AND TO AGENCY PROCUREMENT

AGENCY TECHNICAL MANAGEMENT

1. Q. How often do senior company technical and technical management personnel visit the Agency?

A. Very seldom at vice-presidential level.

Monthly.

Quarterly.

20 to 25 times per month.

Analysis/Comment: Senior personnel was defined in discussion with contractor personnel as any managerial level above the working technical personnel who interface daily or regularly with Agency project personnel. Interviewees were generally aware of who the senior Agency personnel were for their projects and further indicated they felt such personnel were accessible.

2. Q. How often do Agency senior technical and technical management personnel visit the company?

A. Same as above.

Average monthly.

Quarterly.

20 to 25 times per month.

Analysis/Comment: Answers to this question were identical to answers to the previous question. The frequency of visits was greater (predictably) for the contractors with larger dollar volumes of business with the Agency.

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3. Q. Do Agency project personnel provide adequate technical planning requirements to company technical personnel?

A. Definitely yes.

Generally yes.

On the average, this company views the Agency personnel to be well above average in this regard. The personnel of OD&E would appear strongest in this area.

Analysis/Comment: None.

4. Q. Are there instances where technical personnel of the Agency place requirements on company personnel (technical or contractual) which bypass or weaken company controls in the area of technical, financial or contractual management?

A. Definitely no.

Some problem in the past on assuring project work orders remain the same from the time turned on until definitized. Changes result in accounting problems being seen in some older contracts.

There has been little or no problem with Agency personnel influencing company's personnel or management control systems other than as a part of a legitimate contractual or proposal activity.

Analysis/Comment: None.

5. Q. Are technical personnel of the Agency engaging in contractual functions?

A. Only as technical assist to contracting officer.

This was definitely true up until about 3 years ago, but seems to have done a turn-around since that time.

Minimal-where required by the nature of the function.

No.

The simple answer to this question is yes, to a degree, but we do not believe that it is beyond the bounds of propriety nor beyond that required to carry out their technical management function. They very seldom, if ever, obligate the

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Government in starting new programs or in making unwarranted changes related to technical requirements. The usual practice is to make suggestions on visits which are followed by contractual changes when required.

Analysis/Comment: None.

6. Q. Are Agency technical requirements keeping pace with advances in industry (i.e. electronics, aviation, lasers, etc.)?

A. Generally ahead.

Yes, but used to play catch-up.

There is some available technology which is not being taken advantage of by the Agency.

Probably because of the high caliber of technical personnel, the answer is yes.

Analysis/Comment: Discussion with the contractor who stated that the Agency is not taking advantage of certain available technology revealed that the Agency had, in fact, examined the technology in question and selected a competing technology available at another contractor.

7. Q. Are working level understandings superseding company requirements for good business practices (technical trade-offs bypassing change orders, accounting practices)?

A. No.

Analysis/Comment: None.

8. Q. How would you characterize Agency technical control of projects with your company? Informal? Tight? Loose? Bureaucratic and burdensome? Lacking direction? Undisciplined?

A. Tight and adaptive to unforeseen problems.

Control considered good, especially with the contracting officer's technical representative over the past two years. Recent changes cannot be evaluated.

The usual technical control of projects is discharged in an informal but comprehensive manner. The caliber of your technical representatives is sufficiently high that they direct programs with good technical judgement rather than by bureaucratic or mechanical means. The informality allows desired controls to operate at minimum cost to the Government.

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9. Q. Would you characterize Agency technical trends as ahead of the rest of Government? About on the same level as the DOD? Lagging behind the rest of Government?

A. Definitely ahead.

Ahead technically exotic.

Behind DOD, probably due to budget constraints.

Overall the Agency is ahead of all other Government organizations in this respect.

Analysis/Comment: The contractor who indicated the Agency is behind makes the statement because the Agency has pursued a technology which competes with its own.

AGENCY CONTRACT MANAGEMENT-PRECONTRACTUAL RELATIONSHIPS

10. Q. How did your company initiate business with the Agency? Personal contact? RFP?

A. Personal contact initially. Generally RFP's since.

Personal contact in the mid 50's.

Analysis/Comment: None.

11. Q. Do you understand the decentralized contracting teams system which is utilized by the Agency?

A. Yes.

No.

Yes, we feel that it is an excellent concept which works well. We are also painfully aware of the problems and unresponsiveness of the centralized Government procurement systems.

Analysis/Comment: The decentralized procurement system was explained to the contractor who professed a lack of knowledge in this area.

12. Q. Do you have coordination or communication problems due to the security requirements and team method of conducting business?

A. None at all. Our Division works the same way.

Yes, from an administrative standpoint due to the security requirements. What is the team method?

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No, because of the existence of broad-based access clearances within our company, there are generally no problems. From our observation, the team method would appear to enhance communication.

Analysis/Comment: The contractor with problems in this area is the same contractor who did not understand the decentralized procurement process. His problems were resolved through discussion with him.

13. Q. Do you have any problems in obtaining a technical audience for promising ideas and technology which you wish to make available to the Agency?

A. None at all.

No, because of the high caliber of Agency technical personnel, we find them available, receptive but demanding.

Analysis/Comment: None.

14. Q. Is your company generally aware when a technical requirement is being handled on a sole-source basis?

A. We think so.

Analysis/Comment: None.

15. Q. How many formal requests for proposals have you received from the Agency?

A. Estimate a few hundred over the past 10 years, including engineering change proposals.

Three in the last year. Sole source proposals total about 24 in 1975. Of these, about half are for cost type and half for firm fixed-price contracts.

A guess - 12 per year.

It varies, but probably runs about 1 per month.

Analysis/Comment: None

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AGENCY CONTRACT MANAGEMENT - CONTRACTUAL RELATIONSHIPS

16. Q. Several contractors have commented on the dominance of Agency technical personnel over contractual personnel in the Agency's overall procurement process. Could you comment on your company's experience or impressions in this regard?

A. More dominant than DOD, but not an improper balance.

True until 3 years ago, but has done a turn-around.

Our experience is that the relationship is balanced.

As a general rule, the Agency has strong contractual and technical representatives. Where such strengths exist in both representatives, there is little observed dominance of one over the other.

Analysis/Comment: None.

17. Q. As a business organization operating in the profit incentive and achievement environment, do you consider the financial and contractual reporting requirements adequate? Too bureaucratic? A waste of taxpayer's money? Inadequate?

A. Adequate and much more efficient than DOD.

Just right, good interface, much less bureaucratic than DOD.

Adequate and acceptable.

For most programs, the reporting would appear to be adequate without being wasteful. However, it would appear that better use could be made of contractor's internal reporting systems when they are judged to be adequate.

Analysis/Comment: Discussion revealed that the comment on making better use of the contractor's internal system when it has been judged adequate by the Government is based on an apparent lack of understanding between Agency industrial contract auditors and contractor financial personnel. It involves acceptance and use of Contractor Weighted Average Share (CWAS), which is generally acceptable under the Armed Services Procurement Regulations. This is a problem which will be referred to the Commercial Systems and Audit Division of the Office of Finance.

18. Q. From your experience in contracting with other Government agencies, what do you consider to be the major differences in contracting with the Agency as opposed to other agencies?

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A. Fewer people do the same job better.

Quicker reaction on important decisions.

Agency is much closer to the every day workings of programs.

Less bureaucracy and waste of taxpayer's money.

As compared to DOD, disengagement is good. Too much management by DOD.

The Agency appears to direct its efforts toward solving the problem with a minimum amount of delay, meetings, review boards, inter-Government coordinating committees, documentation, etc.

Analysis/Comment: The responses to this question were more favorable than those to any other question.

19. Q. Are settlements of contracts a problem with the Agency?

A. Only one problem in 16 years.

Timeliness is a problem.

No.

There are no unusual problems on settlement actions, but the Agency would appear to be somewhat slower than other agencies in completing the process of audit and settlement.

Analysis/Comment: Settlement of contracts drags for many reasons, including delays in negotiating final indirect rates. This is a problem of long standing with the Agency.

20. Q. Are property and patent procedures employed by the Agency creating any problem administratively within your company?

A. No.

Money is being withheld pending satisfaction of technical data requirements when there is no technical data required.

No, the procedures would appear to proceed relatively smoothly. However, it would appear that more discretion as authorized by Armed Services Procurement Regulations could be used in withholding payment where a contractor has a good record of submitting such reports in a timely fashion.

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Analysis/Comment: The contractors may have a legitimate complaint in the area of withholdings. The Agency is fairly rigid in this area. The contractors, of course, complain more about withholdings when interest rates are high and cash flow is difficult.

21. Q. Generally speaking, how does your company's cost growth record on Agency contracts compare with other Government agencies?

A. Agency record is better because of quality of Agency personnel and because of timely decisions.

Agency better because of close management coordination between the parties.

Agency's record generally very good in this area. Again, this is probably related to the overall competence of personnel and the quick reaction capability of the team concept.

Analysis/Comment: None.

22. Q. Are contractual problems handled within a reasonable time frame by contractual personnel of the Agency?

A. Yes.

Analysis/Comment: None.

#### AGENCY AUDIT

23. Q. Are Agency audit procedures and audit requirements creating any problems which require attention?

A. No.

Time usually conflicts with year-end closing. Close coordination in advance on the audit approach/plan so information can be pulled in advance will be helpful.

Final audit associated with closing contracts is a problem in that audits are infrequent.

As in the technical and contractual areas, the Agency audit personnel are generally of a higher caliber and, as such, do a better job than other Government personnel. There are no significant audit problems in our relationship and definitely none that require special attention.

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Analysis/Comment: The complaint regarding year-end conflict is fair, if accurate. An appropriate referral of this problem to the Agency office responsible will be made.

24. Q. Are Agency audits as frequent as DOD audits?

A. Generally more frequent.

No.

Approximately the same as DOD.

Analysis/Comment: Contractors who indicated that DOD audits are more frequent have resident DOD auditors in their plants. The contractor who indicated that Agency audits are more frequent is a high volume contractor with an Agency audit activity close at hand.

25. Q. How do you compare Agency cost analysis/price analysis with the Defense Contract Audit Agency? Favorable? Unfavorable? Why?

A. Favorable because Agency auditors are more knowledgeable of programs.

Fair and maybe thorough than DCAA.

Go into more detail than necessary for the volume.

More businesslike and practical.

Agency auditors are more experienced through their participation in negotiations as contrasted to the review and report cycle used by DCAA. We consider Agency auditors to be more analytical and perceptive, while DCAA is more mechanical and prone to use brute-force methods of checking numbers independent of their relevance. The DCAA structure tends to inhibit the individual auditor's discretion.

Analysis/Comment: Upon examination and discussion with the contractor who provided the last comment, it turned out that he was confused and was actually describing attributes of the DCAA audit group assigned to the audits of the special programs.

26. Q. How would you describe Agency audit procedures? Antiquated? Modern? Analytic? Pointed? Businesslike? Perfunctory?

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A. Businesslike and pointed.

Predictable.

Antiquated - don't accept system for job charges. Company is CWAS (Contractor Weighted Average Share) qualified, so detail of review of timecards and expense vouchers on personnel should not be required. Required to verify human changes for each monthly sample. Should check one through the system to verify the system and then accept the job-cost system labor.

Analytic.

Analysis/Comment: The remarks of the complaining contractor, if accurate, are a legitimate complaint. This complaint will be referred to the appropriate office for action.

AGENCY SECURITY - AS IT RELATES TO PROCUREMENT

27. Q. Are Agency security requirements difficult to understand?

A. No.

Analysis/Comment: None.

28. Q. Do you consider the Agency's security requirements effective in maintaining the appropriate secrecy within your company? With other Government agencies and Government personnel such as auditors, security, and contracting personnel?

A. Yes, the Agency's security requirements are generally reasonable and sensible rather than mechanical. We find this custom, rather than a bureaucratic approach, to be quite effective both within the company and with other Government agencies and personnel.

Analysis/Comment: None.

29. Q. Are security matters handled within a reasonable time frame, say, for example, clearances of employees?

A. The answer is basically yes. However, that is not to say we would not like to see employees cleared faster.

Analysis/Comment: None.

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30. Q. Are there aspects of our security procedures which tip off receptionists or others as to who we are, i.e., Signing in as representing self? No DOD clearance? Contacting certain people?

A. Because we have a broad visitor base, we do not find that Agency visitors stand out.

Large groups signing as "self" sometimes cause undue curiosity.

There is curiosity, but no problems experienced.

Analysis/Comment: The Chief of the Office of Logistics Security Staff accompanied the interviewer and did participate in all discussions. He has this question under review.

31. Q. The complaint has been made by one or more of our contractors that our people stumble over each other in the halls of the contractor's plant. Do you feel that this is a problem and that more coordination is necessary to avoid conflicting visits by personnel from different parts of CIA?

A. No.

Analysis/Comment: None.

32. Q. Percentage of Government business to overall business?

A. 95%

55%

70%

Analysis/Comment: The two other contractors did not have this information available.

33. Q. Percentage of Agency business to the rest of the Government?

A. 25%

20%

Very small.

Analysis/Comment: None.

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34. Q. Major problems in the contractual relationship?

A. None.

None except acceptance of FOB destination hardware.

Analysis/Comment: The reference to a problem on acceptance of FOB destination hardware was discussed in some depth with the contractor. His problem was that test and inspection was time consuming and was delaying payment. The new fast-pay procedure was described to him which allows payment on receipt and in advance of completion of T&I for certain contractors, and this seemed to settle his problem for the future at least.

35. Q. Overall is the Agency keeping its pulse on industry, its growth, technological changes, etc.?

A. Yes and doing a good job of it.

Analysis/Comment: None.

36. Q. What is the turn-around time on invoices? How does this compare with other Government customers?

A. With very few exceptions, the turn-around time is 30 days or less. As such, the collection cycle compares favorably with most other agencies. If problems arise on invoices, the Agency is much more responsive toward solving such problems in a timely fashion.

30 to 45 days. Comparable.

Good.

30 to 45 days on cost type contracts and 10 weeks on FOB destination hardware. Slower than others.

75 days. Okay.

Analysis/Comment: None.

37. Q. What is your overall impression of Agency contracting procedures?

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- A. The team approach provides a responsive and effective method which saves time and money for both the Government and the contractor, and the function is generally performed in a very competent manner.

More efficient than other agencies, including DOD.

The "womb-to-the-tomb" approach is far superior to other agencies which use PCO (Procuring Contracting Officer), ACO (Administrative Contracting Officer), and TCO (Termination Contracting Officer).

Professional.

Analysis/Comment: None.

38. Q. Does your company prefer to contract with one component of our Agency as opposed to some other?

- A. Because of the company's technological background, we have a natural preference for work with DD/S&T. There is no preference among offices within DD/S&T.

No.

Analysis/Comment: None.

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NO-BIDS AS PERCENTAGE OF TOTAL NUMBER  
OF CONTRACTORS INVITED TO BID

<u>TEAM</u>	<u>BIDS</u>	<u>NO-BIDS</u>	<u>TOTAL</u>	<u>%NO-BIDS</u>
1	23	5	28	18
2*	16	1	17	6
3	64	22	86	26
4	66	30	96	31
5	21	29	50	58
6	35	50	85	59
7	44	6	50	12
8	<u>23</u>	<u>16</u>	<u>39</u>	<u>41</u>
AGENCY	<u>292</u>	<u>159</u>	<u>451</u>	<u>35</u>

\* Not Agency funds

NOTE: See PROCUREMENT TEAM IDENTIFICATION CODE in Tab I to identify procurement team.

Analysis/Comment: No similar study was discovered against which the 35 percent no-bid number for the Agency could be compared to determine whether it is high or low. Greater selectivity by contracting officers in establishment of bidders lists is recommended in the interest of optimizing competitive actions.

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AVERAGE NUMBER OF CONTRACTORS INVITED TO BID ON COMPETITIONS

BY

CONTRACT TEAM AND BY AGENCY

<u>TEAM</u>	<u>COMPETITIONS</u>	<u>INVITED TO BID</u>	<u>AVERAGE</u>
1	8	28	3.5
2*	4	17	4.3
3	15	86	5.7
4	27	96	3.6
5	6	50	8.3
6	10	85	8.5
7	14	50	3.6
8	7	39	5.6
	—	—	—
Agency	91	451	5.0

\*Not Agency funds

NOTE: See PROCUREMENT TEAM IDENTIFICATION CODE in Tab I to identify procurement team.

Analysis/Comment: Comparisons of the average number of contractors invited to bid on competitions by team with the percentage of no-bids received by team. Tab 0 suggests that as the average number of contractors invited to bid increases there is a greater opportunity for the ratio of no-bids to bids to increase disproportionately. This potential tends to indicate that attempting to maximize competition may be inefficient and perhaps explains why current changes in procurement law are moving toward optimizing versus maximizing.

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PERCENTAGE OF CONTRACTORS INVITED TO BID  
WHO HAD PRIOR AGENCY CONTRACTS

<u>CONTRACT TEAM</u>	<u>INVITED TO BID</u>	<u>PRIOR AGENCY</u>	<u>% PRIOR</u>	<u>NO-BID</u>	<u>PRIOR AGENCY</u>	<u>% PRIOR</u>
1	28	28	100	5	5	100
2	17	14	82	1	0	0
3	86	77	89	22	21	95
4	96	95	99	30	29	97
5	50	27	52	29	9	31
6	85	51	60	50	29	58
7	50	47	94	6	6	100
8	39	39	100	16	16	100
AGENCY	<u>451</u>	<u>378</u>	<u>84</u>	<u>159</u>	<u>115</u>	<u>72</u>

\* Not Agency funds

NOTE: See PROCUREMENT TEAM IDENTIFICATION CODE in Tab I for identification of specific contract/procurement team.

Analysis/Comment: The fact that 84 percent of contractors invited to bid have had prior Agency contracts points out that little new blood is being brought into the system. Improved bidders list procedures may correct this. No significance is drawn from the fact that of the contractors choosing to no-bid 72 percent had held prior Agency contracts.

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